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HRI Food Service Sector

Annual

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Report Highlights: With Greece's current economic climate and changing demographics there are likely to be increasing market opportunities for U.S. exports. In particular, convenience foods, products for the restaurant and tourism sectors, ethnic foods, and organic and health food alternatives have promising market openings.

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Section I. MARKET SUMMARY

1.1 General

Hellenic Republic (2005 est. pop. 10,668,000), 50,944 sq mi (131,945 sq km), SE Europe. It occupies the southernmost part of the Balkan Peninsula, with extensive coastlines and islands in the Aegean, Ionian, and Mediterranean Seas. It shares borders in the north with Albania (282 km), the Former Yugoslav Republic of Macedonia (246 km), Bulgaria (494 km) and Turkey (206 km). Furthermore, it's a geographically appealing place to visit, with a mountainous mainland and idyllic island beaches. The Aegean Sea lies to the east and south of mainland Greece, while the Ionian Sea lies to the west. Both parts of the eastern mediterranean basin feature a vast number of islands. Greece has a presidential parliamentary system and is governed under the constitution of 1975. There is a 300-member unicameral parliament, which elects a president for a five-year term. The executive branch also includes a premier and a cabinet. The country is divided into 13 administrative regions, subdivided into 52 prefectures or *nomoi*, which are responsible for most local government.



Demographics	
Total Population	10.9 million
Growth Rate	0.163%
Age Breakdown	
0-14 yrs	14.5%
15-64 yrs	67.0%
Over 60 yrs	22.0 %
65 yrs and over	18.6%
Life Expectancy	
Total	78.9 yrs
Male	76.4 yrs
Female	81.5 yrs
Unemployment rate (in %)	9.2 (2006) 8.8 (2007)

1.2 Consumer Market

Greek consumer needs are continuously evolving, with purchasing patterns ever-changing. The average household is comprised of 2.6 persons, with 22% of the population over the age of 60 years. Increases in disposable incomes, increased occurrences of dual income households as well as an increase in single parent homes have resulted in a trend toward convenience goods.

Households spend roughly 17% of their incomes on food and non-alcoholic beverages, 17% on rent & housing expenses, while dining out and hotel/travel expenses account (including vacation expenditure) for 18.5% of income expenditure. A Greek consumer on average shops 3.5 times per month - and looks for quality, convenience and ease of purchase as opposed to focusing on price.

Consumer Direct Spending (in % of income)						
Food & non alcoholic beverages	Alcoholic beverages, tobacco	Restaurants & Hotels	Clothing & footwear	Housing & energy	Furnishing & household equipment	Transportation
17.0	4.6	18.5	10.1	17.0	6.2	8.5

Greek eating habits emphasize a traditional diet comprised of foods such as barrel feta, Greek yellow cheeses, local desserts, olives, wine, traditional pasta products, butter, fish, oil, plenty of fresh fruit, vegetables and tree nuts and salt preserved products, all which still represent a large part of purchases. However, eating habits outside the traditional realm are continuously changing, creating a growing demand for more convenient foods and diverse eating opportunities outside of the home. Expenses related to dining out represent roughly 19% of Greek household income. More than 50% of Greeks purchase ready-to-eat meals for consumption at home. The most popular ready-made meals are pizza, souvlaki, chicken,

hamburgers/fast food, Chinese, pasta, and Greek cooked food. Greeks between the ages of 18 and 40 are most likely to purchase ready-to-eat meals.

In addition, current food trends show an increase demand for organic goods and healthy alternatives. These products meet the Greek consumer's perception of better quality, taste and health. Although the Greek organic farming industry is developing fast, the potential for exporters to penetrate this market exists. Nevertheless, convenience and frozen foods, as opposed to fresh products, will experience a continuous and increasing demanded as lifestyles become busier. Moreover, their added shelf life is of benefit to food distributors. Frozen foods are one of the fastest growing markets in Greece, especially frozen vegetables, French fries, fish, and meat.

Main Cities	
Athens & Piraeus	4.5 million
Thessaloniki	1.2 million
Patras	300,000
Larissa	271,000
Iraklion	265,000

Domestic demand for poultry experienced a considerable drop as a result of a series of regional and international AI scares. Additionally, increased efficiencies in domestic poultry farming negatively affected the prices of poultry. Currently, the demand for poultry seems to be recovering and the domestic demand for red meat remains high. More than 50% of the red meat consumed in Greece is imported from abroad. There is good potential for a growth in the import market for red meat as Greek incomes continue to grow. High quality beef has great potential for sales to increasingly affluent consumers, mainly within the hotel and restaurant sector. New trends in the meat market favour higher quality, labeled products, while organic meat and dairy products are also gaining in popularity. However, only a small portion of the population views this as a realistic regular purchase given the price premium.

Fish consumption in Greece has been increasing since 1995, primarily due to the promotion of the healthful aspects of eating fish. Fish is increasingly being seen as a protein replacement for beef. Approximately 120,000 MT of fresh fish are consumed in Greece annually. About 70,000 MT of fish are produced in fish farms and are readily available. However, the majority of these fish are exported. Greeks continue to prefer open-sea fish, as opposed to aquaculture or frozen fish meat.

Greeks rank among the biggest cheese consumers in the world with an annual per capita consumption exceeding 26 kg. Feta cheese is the most popular type of cheese with annual sales totaling 140 000 metric tons. Feta cheese is a traditional Greek product made from a mixture of goat's and sheep's milk. It has an exceptional taste, a low fat content and a nice white color, which occurs naturally, without artificial whitening agents.

Many opportunities for U.S. exporters exist within the Greek market. Niche markets could include an increase in exports of tree nuts, as well as dry beans and lentils. Dry beans and lentils have a strong potential in the Greek market, with declining domestic production and their appeal to the consumer as a healthy food. Domestic production of pulses total 68,000 MT, of which 30,000 MT are imported (beans, lentils, peas, garbanzos, black-eyed beans, other). Other products with good sales potential include frozen foods, frozen and salted fish, meat, alcoholic beverages, organic foods, dairy products, some exotic fruits, common fruit in

seasons of shortage, a variety of non-GMO food ingredients for the domestic food preparation and processing industries and the well-developed confectionary and ice cream sectors.

Commodity: AGRICULTURAL, FISH & FORESTRY TOTAL EXPORTS

GREECE	JANUARY - DECEMBER					JANUARY - MARCH		
	Values IN 1000 Dollars					COMPARISONS		
	2002	2003	2004	2005	2006	2006	2007	%CHNG
TOTAL	119,932	127,572	127,083	167,978	142,348	37,705	44,413	17.79

Commodity: AGRICULTURAL, FISH & FORESTRY TOTAL IMPORTS

GREECE	JANUARY - DECEMBER					JANUARY - MARCH		
	Values IN 1000 Dollars					COMPARISONS		
	2002	2003	2004	2005	2006	2006	2007	%CHNG
TOTAL	171,067	178,642	179,359	219,242	203,821	58,268	87,148	49.56

1.3 Economy

Greece has a small but open and well-established economy. The economy has been growing steadily in recent years and like other smaller EU members (i.e. Ireland) has benefited a great deal financially from EU inclusion. The country's recent economic performance has shown real promise. The government is currently engaged in a privatization program, which is working towards lessening the government's role in the country's activities. The GOG seems to be determined to continue promoting reforms in order to safeguard the future performance of Greece's economy. The GOG's primary objective is to achieve balanced budgets by 2010. This includes the reform of the pension system and the improvement of the efficiency of the public sector.

To date Greece is developing an outward-looking approach, and through the implementation of bold reforms has already achieved positive results. Fiscal consolidation has progressed successfully. A reduction of the budget deficit was managed from 8% in 2004, to less than 3% in 2006 and 2007. As a result, the public debt is on a steadily declining path, falling from 108.5% of GDP in 2004 to 101.9% of GDP this year. Moreover, Greece experienced economic growth as a direct result of the major projects and infrastructure development spurred by the Olympic games of 2004.

Greece has established a strong international economy in shipping, transport and tourism. Due to its geographic location, Greece has long been an important shipping route and one of the most popular tourist destinations in the world. Nearly 15 million visitors visit Greece each year, and the number of tourists continues to increase at a pace of about 6.8 - 7.0 percent per year.

The Greek economy has been growing at a rate of twice that of the EU. And, although negative macroeconomic indicators, such as inflation rates of 3.7%, exist, the indicators have improved markedly from the double digit burdens seen a decade ago. Furthermore, this improvement seems to indicate an overall trend toward economic improvement. Greece

has managed to maintain high growth rates, despite soaring oil prices and the expectations of an economic slowdown after the Olympic games in 2004.

In the first quarter of 2007, exports, which include tourism and shipping, expanded 9.5 percent, according to official statements. That is the fastest growth since the fourth quarter of 2004, the year of the Athens Olympics.

	Demographic and economic indicators				
	2004	2005	2006	2007	2008
Population aged 65+: January 1st ('000)	1,970.57	2,006.98	2,059.80	2,069.23	2,084.17
Population density (people per sq km)	83.67	83.99	84.31	84.64	84.96
GDP measured at purchasing power parity (million international \$)	318,552.00	341,114.00	367,153.00	391,395.00	412,521.00
Real GDP growth (% growth)	4.70	3.70	4.30	3.90	3.60
Annual rates of inflation (% growth)	2.89	3.56	3.20	3.00	3.20
GDP by sector:					
Agriculture				8%	
Industry				22%	
Services				69%	
Consumer expenditure (US\$ million)	191,757.48	204,991.90	221,200.80	236,721.47	243,824.80
Online shopping expenditure (US\$ million)	238.69	299.08	355.57	519.26	
Annual gross income (US\$ million)	195,107.26	207,575.14	221,813.25	234,213.12	238,965.32
Annual disposable income (US\$ million)	150,767.02	161,869.19	174,395.93	186,858.42	194,860.21

Source: World Economic Factbook

1.4 Investments

Greece's growth and investment climate is dynamic as a result of a key policy measures taken:

- corporate tax rates were reduced from 35% in 2004 to 25% this year
- generous investment incentives, up to 60% of an investment project
- a well targeted policy for the promotion of exports
- the reduction of bureaucratic procedures

- substantial acceleration of projects funded by the European Union

The last measure is considered of particular important because these projects are essential to achieve convergence with the European Union. Further, it is essential that Greece continue to modernize infrastructure, to improve and maintain the competitiveness of its economy.

Greece was developed into a major foreign investor in Albania and FYROM, and ranks among the top three foreign investors in Bulgaria, Romania and Serbia. Food trading, processing, flour milling, supermarket chains, real estate, and construction are among the leading activities in these regions. With Greece's easy access to the emerging markets of Southeast Europe, the Middle East, and North Africa, and the strong cultural and business ties in the entire region, Greece is strategically located as these other regions experience growth and development. More than 3,300 Greek companies and more than 2,000 branches of Greek banks operate in the region. Greece is a strong maritime and shipping hub, with a large fleet. In conjunction with, it is fast becoming an energy hub, especially for the transport of oil and natural gas.

The investment climate in Greece is highly favorable, with cash grants of up to 60% of overall investment costs and tax breaks of up to 100% of overall investment costs. Additionally, subsidies are available for priority sectors and industries. In 2006, Foreign Investment net flows were 4.3 billion EURO, nine times greater than 2005.

At present, more than 35 projects with a value exceeding \$1 billion are underway. These projects are within a wide range of industries, including: leisure and entertainment, financial services, business services, communications, software and IT services, hotels and tourism, textiles, real estate and golf real estate, food and consumer products, beverages, biotechnology (mostly medical), semiconductors, warehousing and storage. In particular, attractive investment opportunities exist in the tourism sector in:

Integrated Resorts
Convention Centers
Holiday Homes & Agrotourism
Marinas
Golf Resorts and Spas
Commercial Real Estate
Leisure and Entertainment

The Food & Beverage sector is the most dynamic and high growth sector in Greek manufacturing. Twenty-five percent of the most profitable Greek companies are food & beverage companies. The production growth rate experienced in this sector is almost double that of the entire manufacturing industry.

Even with EU expansion, Greek production costs remain among the most competitive, while still maintaining high standards. Greek-based companies have developed an extensive import-export network which covers Southeast Europe and the Middle East. Multinationals such as Nestle, Coca-Cola, Pillsbury, and Barilla manufacture in Greece to supply both the domestic and emerging regional markets.

Greece's Competitive advantages include:

- Availability of quality raw materials

- A large cluster of suppliers and advanced know-how
- Untapped regional markets
- Worldwide recognition of Mediterranean diet and its products
- High Greek consumer awareness of international brands
- Competitive labor costs
- R&D infrastructure
- Generous investment incentives

Investment opportunities in the food sector include:

- Mediterranean food products
- Organic food
- Ready made meals
- Frozen food
- Small fruit
- Selective subtropical products
- Baby food
- Chocolate & confectionery

Greek Imports (2006) (€and %)		
Food and live animals	4,409,077,957	8.69%
Beverages and tobacco	718,979,612	1.42%
Crude materials, inedible, except fuels	1,225,395,818	2.41%
Minerals, fuels, lubricants, etc.	9,714,815,666	19.15%
Animal and vegetable oils and fats	165,524,020	0.33%
Chemicals	6,926,693,790	13.65%
Manufactured goods classified mainly by raw material	7,163,220,080	14.12%
Machinery and transport equipment	14,475,587,461	28.53%
Miscellaneous manufactured articles	5,772,856,821	11.38%
Commodities and transactions, not classified by category	162,030,505	0.32%
Total	50,734,181,730	100%

Source: National Statistical Service of Greece.

Greek Exports (2006) (€and %)		
Food and live animals	2,333,840,816	14.01%
Beverages and tobacco	508,204,552	3.05%
Crude materials, inedible, except fuels	1,061,712,539	6.38%
Minerals, fuels, lubricants, etc.	2,170,488,713	13.03%
Animal and vegetable oils and fats	480,434,372	2.89%
Chemicals	2,177,448,771	13.08%
Manufactured goods classified mainly by raw material	3,412,346,224	20.49%
Machinery and transport equipment	2,092,497,916	12.57%
Miscellaneous manufactured articles	1,962,468,256	11.78%
Commodities and transactions, not classified by category	452,215,576	2.72%
Total	16,651,657,735	100%

Source: National Statistical Service of Greece.

1.5 Tourism Standing

Greece ranks 24th place among 124 countries in the overall rankings for the Travel and Tourism Competitiveness Index, according to the Union of Greek Industries (SEB) and the Association of Greek Tourist Enterprises (SETE). The country is behind competitors in its immediate neighborhood, such as Spain (15th place), Cyprus (20th place) and Portugal (22nd place), though ahead of nearby Croatia (38th place), Turkey (52nd place) and Egypt (58th place). Among Greece's strengths, according to the World Economic Forum, are maintenance of hygiene (3rd worldwide), high level of security (18th worldwide), abundance of cultural resources (23rd worldwide), as well as positive attitude of Greeks toward tourists (23rd worldwide). Augmenting these factors, the GOG has placed a high priority to tourism in government action (22nd worldwide).

The tourism sector's contribution to the Greek Gross Domestic Product reached 18.2 percent after a recent GDP revision according to the Association of Greek Tourist Enterprises (SETE). Tourism's direct contribution to the Greek economy was 7.27 pct in 2005, while the contribution of tourism economy was 16.35 pct before the GDP revision. Based on the average per capita spending by foreign tourists, Greece ranked 10th in the world tourism league with 1,072 US dollar tourist, while the country ranked 24th in the general economic competitiveness list. Tourism accounted for 6.1 pct of per capita GDP in Greece, while total tourism revenues accounted for more than 1,200 US dollar per capita. These figures rank Greece 5th and 9th in the world league, respectively.

In 2006, there were over 867,000 jobs in the Greek tourist economy, accounting for 20 percent of the total labor force. By the year 2016, direct and indirect employment in the tourist economy is expected to increase by 349,000 jobs, amounting to almost 21 percent of total employment.

The government intends to promote winter tourism in Greece, potentially increasing international arrivals further. The Central Macedonia Region, northern Greece, is focusing on alternative forms of tourism like agrotourism, religious and sports tourism to become an all-year-long tourist destination. The region's proximity to the Balkan states increases the tourist flow from those countries. Government's goal is to create "Tourist Charters" in each of the country's regions, making tourism a top priority.

The numerous forms of tourism, such as congress, marine, cultural, gastronomic, ecological and health-spa tourism, are the pillars for the development of Greece's new tourist product. Over the last ten years, 35,000 conference events have been organized at an international level. More than 60% of congresses are held on European territory, and more and more they tend to be combined with exhibitions. One of the additional benefits to Greece in becoming a location for congress tourists, is that it prolongs Greece's tourist period. Tourism is the only fast-developing sector of global economy in which Greece has a leading part.

1.6 Traffic Development

Private and public infrastructure improvements made for the 2004 Olympic Games in Athens, have helped attract more visitors to Greece. These improvements have fostered a perception among travelers that Greece is a safe destination.

For the 5th consecutive year, Athens International Airport has experienced a healthy passenger traffic growth – an increase of 5.6% in 2006. In fact, in that year, with a total of 15.08 million passengers, Athens International Airport (AIA) broke a new passenger traffic

record. It is now among the “family” of the biggest European airports, with an important position in the market. Domestic passenger traffic grew by 5.8% and international traffic marked a 5.5% increase.

In 2006, Athens International Airport had scheduled direct connections with 110 destinations in 48 countries. Passenger traffic reached 14.3 million in 2005, surpassing the 2004 “Olympic” record by 4.5% while passenger traffic in 2004 reached 13.7 million passengers, a historical passenger traffic record for Athens. The most popular destinations for passengers were Thessaloniki (+22.9%), Heraklion (+8.4%), and Rhodes (+13.2%), whereas domestic flights to/from Athens International Airport increased by 10%. In the past four years, changes have been observed in the ranking of the top domestic destinations, with Mytilini, Kos and Chios islands presenting significant passenger growth and market share increase, winning market share from “traditional” tourist destinations, such as Corfu, Santorini and Mykonos.

1.7 Hotel/Restaurant Industry

The hotel sector in Athens and Greece is already initiating changes in order to tackle the challenges of the post-Olympic tourism period. These challenges include confronting the seasonal nature of Greek tourism, enhancing Greece’s competitive advantages in tourism and advancing other tourism fields. Large hotel units in the country have already invested and implemented strategic plans aiming at new tourism trends. Noteworthy cooperation can be seen among the Athens’ hotels, as well as investment decisions by multinational companies regarding Greek hotels. These factors are likely to lead to a deeper penetration of the Greek tourism market. The significance of these developments include not only the possible prolongation of the Greek tourism season, but also an increase among the business and investment interests that the Olympic Games brought to the hotel sector in Athens and Greece. Businessmen actually realize that Greece has moved well beyond the period where it was exclusively considered as a “sea-sun-sand” destination and look forward to alternative opportunities to raise capital and to extend their development plans further.

The Hotel/Restaurant Industry (HRI) food service sector grew rapidly in conjunction with the Olympics. The related “tourism bubble” lasted for 2-3 years following the games. The size of the overall HRI food service sector in 2006 was over €600 million (\$890 million).

- ◆ The commercial catering sector accounts for nearly 58 percent of the whole catering market
- ◆ Institutional catering accounts for 21 percent and
- ◆ Airline catering for 27 percent

While this sector is highly competitive, it offers opportunities for U.S. food ingredients, particularly tree nuts, a variety of dried fruit products, snacks, frozen foods, single packaged foods, wines, and seafood. Innovations and rising health awareness continue to drive demand in 2007. Greek consumers show a growing interest in both local and foreign cuisine. Ethnic foods, mainly Mexican, are showing potential in the sector.

The key trends and gradual developments in food preferences are summarized as follows:

Healthier image of local produce remains a barrier for packaged food players

Localization - tradition as the main selling point

Packaging innovations - the ‘same, but different’ trend grows stronger

Private label products gain greater acceptance among Greek consumers

Consumer foodservice remains a major competitor for packaged food

Fortified/functional products are a driving force of innovation

Market Consolidation provides both a problem and a solution for minor players

The polarization trend squeezes mid-priced products

Demand for more exotic flavors and ethnic food products grows stronger

The HRI sector will need to increase food service supplies to meet the increase in the flow of tourists expected in the next couple of years. While this presents exciting opportunities for U.S. agricultural products, unfortunately, only a limited number of Greek importers and distributors are aware of the variety of U.S. food products (ready to consume and/or ingredients). This constraint extends to the HRI sector, which relies predominantly on domestic products and imports from other EU countries.

1.8 Advantages, Opportunities and Challenges Facing U.S. products in Greece

U.S. exporters need to work closely with the industry, focusing on the importers and distributors who can best promote U.S. products to the Greek HRI sector. Certain issues should be taken into consideration regarding the Greek food and beverage sector for producers/retailers/distributors:

- Greece is an import dependant country.
- The majority of food suppliers in Greece experience annual growth in sales.
- Establishing a representative office in Greece is often less costly than in other European Union (EU) markets. However, it can be a time-consuming and bureaucratic endeavor.
- Many companies in the industry both produce and distribute their products.
- Greece also serves as a 'bridge' to the Balkans, Africa and Asia Minor.
- Greece has experienced a consolidation of supermarket chains.
- Many competitive products exist within the same category.
- The food companies tend to have a concentration of distribution networks.
- There is a focus on producing better quality at lower prices.
- Many Greek companies are cooperating with multinationals to expand their exports and enhance their position in the Greek market.
- Discount supermarkets stores have increased their sales of private label products.
- Hotels and restaurants do not import in their own right.
- Strict custom controls and document inspections take place.
- Food of animal origin must be produced in a European Union (EU)-approved establishment.
- Sampling and testing of imported food items and of food ingredients take place on random basis, approximately every 1 out of 10.
- Emergency and more frequent sampling and testing take place in special cases.
- Greece follows European Union regulations with respect to food and beverage products. In some circumstances Greece instigates its own national laws and regulations with respect to certain food and beverage items.
- A phytosanitary certificate (for plants) and a sanitary certificate (animal products) are required. When a food product is entering the country for the first time a sample must be tested by the State Laboratory.
- In some situations, retailers impose their own standards on suppliers that are relevant to local market preferences.

The Greek food and beverage industry offers opportunities for the following products:

- Grocery products: Dairy products, snack food, confectionary, cereals, bakery products, pulses, tree-nuts, frozen foods.
- Fresh fruit and vegetables: Apples, grapes, pears, oranges, exotic fruits, vegetables such as broccoli, potatoes, Chinese lettuce, celery, baby corn, mushrooms, cherry tomatoes and chilli peppers.
- Seafood: Almost every size and kind of fish and especially mollusks, crustaceans, shellfish, larger multi-serve fish varieties.
- Meat: High demand for beef, lamb, pork, game meat, poultry. Greece remains import reliant for meat products because local supply is too low to meet demand.
- Organics: High demand for organic foods and low domestic production.
- Beverages: Wine, beer, all fruit juice types and soft drinks appear to have the best potential.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

It is highly recommended to have a business partner in Greece in order to import food and beverage products. Usually an importer falls into one of the following categories:

- Importer: can be an agent or a distributor, or a wholesaler.
- Agent: Usually have the responsibility of promoting products.
- Distributor: usually has the capability to cover the whole country.
- Supermarkets: Note that some supermarkets also import in their own right and distribute the products they are importing to their branches only.
- Point of sale: supermarkets, restaurants, hotels, grocery stores, etc.

Wholesalers are only used when it comes to supplying grocery stores. Restaurants and hotels do not generally import in their own right. U.S. exporters should give priority to identifying a suitable distributor, partner or agent that can deliver direct to the point of sale. The role of wholesalers is diminishing and distributors are becoming the most important link in the food and beverage supply chain. Most distributors are well established in the market and have the expertise to promote the products effectively. Personal relationships are important in Greece and for best results, suppliers should spend time developing their ties with local partners. Greece is also a cost effective place to establish a European presence. The government provides incentives to foreign companies wishing to establish a business in Greece.

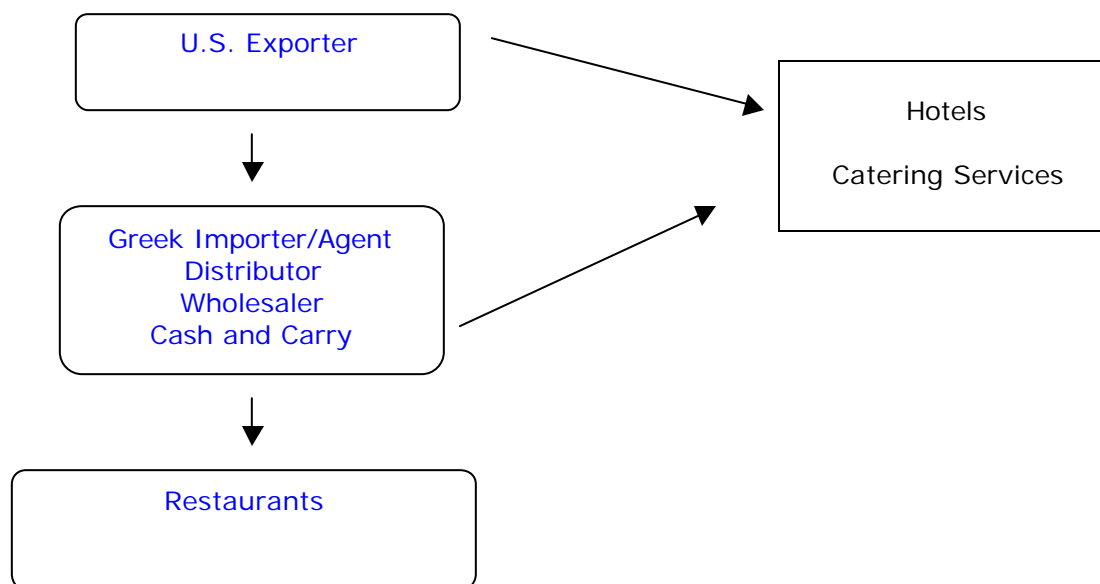
Greece has specific and sometimes traditional consumption patterns. Careful planning is required for market entry strategies since the industry is highly competitive, and there are sometimes many categories within a single market segment. The following should be taken into consideration:

- Competitor analysis
- Segmentation and identification of a specific target market
- Advertising and promotional activities
- Retail price
- Packaging (label in Greek is an important element)
- Distribution channel
- Product itself (complying with the tastes of Greek people)

Even though Greece is dynamic and is experiencing rapid growth, it is quite competitive. Niche marketing into new segments appears to deliver good success. When choosing and deciding on a distribution partner or an agent, it is good to explain the profile and positioning of the product, since they can guide U.S. traders through the Greek market and give them the correct advice for marketing the product.

Online purchasing is not popular in Greece at present. There is still much skepticism about online buying. Although the big supermarkets are offering their products online with home delivery, the service has not experienced much uptake to date. Greek consumers prefer to see, touch and examine what they are buying and use shopping as a means of entertainment and personal interaction.

B. Market Structure



◆ Food products are usually imported by an importer or agent, who may also be a wholesaler and/or distributor. Big hotel chains and catering services have their own central buying departments and act as importers too.

◆ Most of the distributors have nationwide distribution channels.

◆ “Cash and Carries” sell to retailers and restaurants at more competitive prices. METRO S.A., with 24 outlets, is the major “Cash and Carry” in Greece.

◆ The wholesalers/distributors buy from the local processing industry in addition to importing.

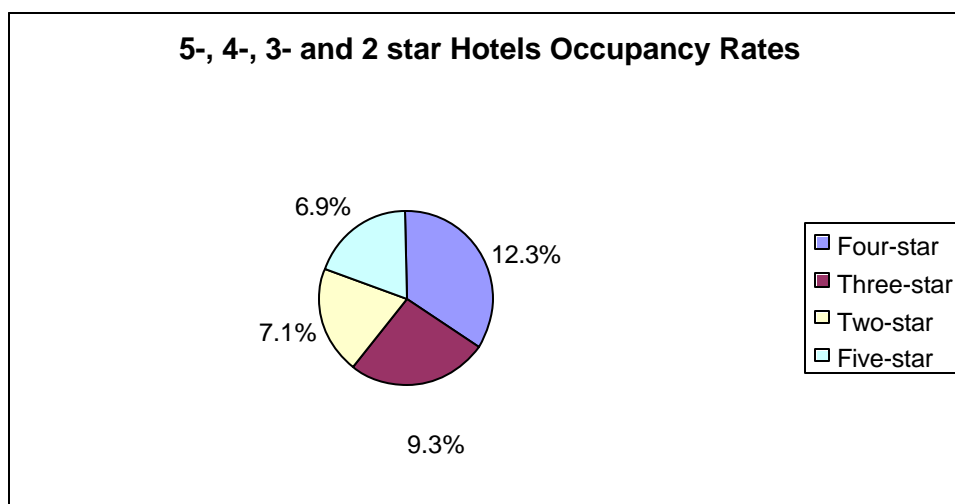
C. Sub-Sector Profiles

1. Hotels and Resorts

There are 106 hotel chains operating in Greece with over 700 high class hotels. There are over 9,000 hotels in Greece with over 350,000 rooms. In recent tourism surveys, Greece has moved from a “popular” destination to a “preferred” destination. The growth of holiday

homes has added a powerful boost to the industry, resulting in a sharp increase in both supply and demand for high-quality tourism services throughout the year.

Hotels in the greater Athens area reported a 9.1 percent increase in occupancy rates in March 2007, compared with the same month the previous year, according to Athens Hoteliers Association. Four-star hotels recorded the biggest percentage increase in March (12.3 pct), followed by three-star hotels (9.3 pct), two-star (7.1 pct), with five-star hotels increasing (6.9) pct. A total of 407,209 travelers arrived at the Athens International Airport in the first quarter of 2007, up from 341,293 last year. Fifteen percent of these travelers hailed from the UK, 12 percent from Germany, 10 percent from the United States, 9.0 percent from Italy, 6.0 percent from Cyprus, 5.0 percent from France and 4.0 percent from Romania. During this period 39 percent of the travelers reported that they were visiting Athens for both holiday and professional reasons.



Top 20 Greek Hotel and Restaurant Companies 2005
Ranked by Total Assets
 (€ ' 000)

Rank Company	Assets		Turnover		Pre-tax profits	
	2004	2005	2004	2005	2004	2005
1. IONIAN HOTEL ENTERPRISES S.A.	257.442	247.805	47.290	43.220	-784	532
2. ASTIR PALACE VOULIAGMENI S.A.	187.475	184.896	22.675	22.366	462	-6.103
3. HELIOS S.A.	168.754	180.660	24.419	32.357	4.031	7.540
4. ALDEMAR S.A.	137.361	154.277	23.818	27.304	473	1.970
5. ATTIKOS ILIOS S.A.	149.267	153.808	14.218	17.995	-3.898	-3.830
6. KIPRIOTIS, G. & SONS S.A.	106.796	115.594	18.115	18.906	143	524
7. ELLINIKI TOURISTIKI S.A.	23.446	115.093	6.970	35.965	-1.505	-10.566
8. MARIS HOTELS TEAB S.A.	103.567	105.330	25.578	28.789	-834	1.209

9. TOURISTIKA SYNGROTIMATA ELLADOS S.A.	108.000	105.210	8.007	11.466	-3.145	-1.422
10. LAMPSA HELLENIC HOTELS CO. S.A.	101.710	103.385	30.498	31.001	4.299	4.398
11. MAHO S.A.	101.269	102.110	7.472	8.216	101	-172
12. LOUTRA KYLLINIS S.A.	101.153	97.742	8.700	14.804	-2.829	-2.028
13. LOUIS HOTELS S.A.	76.141	88.431	27.562	34.517	-648	-4.198
14. FAIAX S.A.	69.350	76.582	20.367	21.095	1.014	-326
15. E.P.T.E.A S.A.	65.327	70.288	8.236	10.852	-490	-1.002
16. SANI S.A.	53.584	69.685	23.079	31.388	3.529	4.329
17. MITSIS CO. S.A.	66.477	67.923	21.380	28.126	-6.200	326
18. OLYMPIC HOLIDAYS S.A.	67.009	67.312	9.398	9.392	-720	-3.512
19. CAPSIS TOURIST COMPLEX S.A.	61.843	64.447	15.761	17.841	196	-749
20. ATLANTICA HELLAS S.A.	61.127	54.954	14.842	15.465	-2.268	-2.299
TOTAL	2.067.098	2.225.532	378.386	461.067	-9.072	-15.378

Source: Icap

The top- 20 Greek Companies in Food-Beverages: 2005
Ranked by Total Assets
(€ ' 000)

Rank Company	Assets		Turnover		Pre-tax profits	
	2004	2005	2004	2005	2004	2005
1. COCA-COLA HELLENIC BOTTLING COMPANY S.A.	2.692.700	2.726.200	596.000	584.200	92.600	128.300
2. ATHENIAN BREWERY S.A.	455.229	469.179	374.312	376.645	57.699	81.231
3. DELTA DAIRY S.A.	353.874	356.401	319.473	326.036	22.113	50.279
4. CHIPITA INTERNATIONAL S.A.	243.492	297.830	105.686	114.819	2.446	2.423
5. HELLENIC SUGAR INDUSTRY S.A.	171.600	293.457	247.949	208.806	5.978	9.723
6. FAGE DAIRY INDUSTRY S.A.	246.365	284.810	352.799	319.301	16.096	-4.497
7. ACHAIA CLAUSS S.A.	45.824	211.572	31.645	22.854	590	143
8. LOULIS MILLS S.A.	205.242	204.305	108.323	67.517	-3.060	216
9. HELLENIC QUALITY FOODS S.A.	196.232	190.038	99.959	82.031	96	-867
10. DELTA ICRE CREAM S.A.	191.515	186.595	72.625	68.348	5.548	2.899
11. CRETA FARM	150.027	156.312	79.339	78.874	3.112	3.773

S.A.						
12. NESTLE HELLAS S.A.	151.304	146.752	349.617	360.487	85.006	70.428
13. ELBISCO S.A.	57.010	144.196	82.259	82.927	-3.011	-541
14. CARDICO S.A.	129.518	140.839	60.920	80869	3.032	8.057
15. ELAIS-UNILEVER S.A.	131.912	134.774	219.015	226.355	43.952	36.103
16. EVGA S.A.	124.206	126.579	91.904	84.990	2.692	22
17. TYRAS S.A.	99.745	124.694	111.723	140.747	8.624	6.585
18. MEVGAL S.A.	121.059	122.204	173.289	176.007	1.101	2.209
19. HAITOGLOU S.A.	89.995	118.590	46.925	55.818	1.300	1.120
20. AGROINVEST S.A.	117.238	116.871	80.415	57.751	-602	-2.657
TOTAL	5.974.089	6.552.198	3.603.996	3.515.382	345.311	394.949

Source: Icap

2. Restaurants

The nation's restaurant industry has grown in sophistication over the past decade, and it is now possible to find excellent restaurants in highly-touristed areas, particularly areas that are popular with Greek tourists as well. The best restaurants will offer not only authentic traditional Greek cuisine (along with regional specialties) but Greece's latest culinary trends as well.

Demographic shifts in Greece have changed trends in consumer foodservice sectors. The growth rate of the market stabilized over the 2004-2007 period, with value sales increasing according to inflation rates. However, the decline in the number of household members, the participation of women in the workforce and the increase in per capita income shifted trends in the consumer foodservice sectors. Fast food recorded a decrease in value, reflecting the maturity of key categories, while other sectors such as full-service restaurants, saw rapid development.

In Greece there is increasing demand for organic food and ingredients and healthy alternatives, as these are perceived as providing better quality and taste, with positive health benefits for the consumer. Foodservice categories that have managed to associate themselves with healthiness experienced high value increases. These included some full-service restaurants and self-service cafeterias. On the other hand, despite the need for convenience and timesaving solutions, categories like burger fast food and 100% home delivery/takeaway with fast food-related menus, significantly decreased in value by the end of 2007.

The increase in value of full-service restaurants (FSR) could be considered as somewhat paradoxical since the fast-paced lifestyles of consumers do not generally favor such services. Nevertheless, the sector recorded significant development in response to consumers' need for alternative tastes, cuisines and environments. As a result, the FSR categories that increased the most were Asian, Middle Eastern and North American. Reportedly, at the same time, value sales declined in traditional Greek restaurants.

Specialist coffee shops, self-service cafeterias, fast food outlets and casual dining full-service restaurants have benefited from the change of scenery in the retail sector, with major shopping centers opening in metropolitan Athens, the prefecture of Thessaloniki and in other major cities and touristic locations (Crete, Rhodes, and Corfu). The development of several new multi-store retail premises in those areas has driven demand for retail-located foodservice outlets, with chained operations of specific sectors particularly benefiting. The

niche sector of self-service cafeterias and the well-established chained specialist coffee shops have gained the greatest advantaged from these new developments.

The foodservice market as a whole is expected to continue developing, under the influence of a number of trends related to demographics and income. In particular, pizza consumer foodservice is one of the most promising sectors, with pizza full-service restaurants set to experience impressive growth. Multinational full-service restaurants are also expected to perform well, reflecting the demand for diversification and innovation. In addition, chained operations are expected to rise in sectors such as full-service restaurants.

3. Trend towards healthy food and Mediterranean diet

As Greek consumers have extensive access to information regarding health and dietary issues, as well as becoming better educated on their nutritional needs, fast food products are viewed with growing skepticism. This increasing trend towards healthier and high-quality food led fast food companies to react promptly by adding new meals to their menus, which included a variety of salads and low-fat products such as vegetable sandwiches. Apart from being healthy and containing low-fat ingredients, these new menus usually contain ingredients which are part of the traditional daily diet, to which Greeks show a strong preference, such as feta cheese, onions, fish and vegetables.

McDonald's and Pizza Hut have made a significant presence in Greece over the past decade. However, they face strong competition from popular local chains.

Goody's is perhaps the most popular fast-food chain in the country, offering a large variety of fast food meals, with several outlets throughout the country. A more recent chain is Everest which specializes in hand-held snacks. Flocafé is gaining popularity through its coffee and dessert items. There are also many independently-owned fast food businesses that offer typical fast food items, such as gyros. Many of these small businesses tend to be open late at night, and are popular with younger crowds on their way home from a night out.

4. Specialist coffee shops

Specialist coffee shops, with chained operations accounting for the largest number, represent one of the most dynamic foodservice categories in the Greek market. This expanding sector met consumers' demands for steady quality and variety in coffee drinks, coupled with convenient location and pleasant environment. This sector presents important growth potential since, at the time of writing, only a few brands were available in Greece with more expected to be launched in the short- and medium-term future.

5. Casual dining: a niche market with dynamic growth

Casual dining, full-service restaurants continued to register double-digit growth. This sector is still within its development stage, with good prospects for continued expansion. Furthermore, Everest SA, a leading Greek foodservice company, has recently announced the creation of a Greek casual dining brand, which is anticipated to stimulate competition further.

6. Chained outlets

In contrast to the moderate development of many independent foodservice business units, in 2006 and 2007, chained operations continued their good performance of the previous

years, expanding in terms of outlets, value and transactions. Chains' success derives to a large extent from the highly organized operations behind the developing brands, the strategies that involve prime outlet locations, steady high-quality and new product development, as well as competitive pricing policies. Overall growth was driven by the advancement of chained cafés/bars, and in particular specialist coffee shops, which have been increasing in popularity in Greece, and registering high growth rates.

7. Catering

The catering sector is broken down into three subcategories, banquet, industrial and airline catering. All catering service companies operate with ISO and HACCP quality certification. The total catering sector shows an upward trend during the period 1998-2006 with an annual increase at about 11.3%. The corresponding annual increase between 1994 and 1998 was at 21%. The sector is broken down into three subcategories: banquet, industrial and airline catering. In 2004 the market grew by 21.2% due to the Olympic Games that year which increased demand sharply. The banquet catering (including hotel and non-hotel catering) reached 47 percent in 2005 and is reported to be near 48 percent today. The industrial catering sector was at 33 percent, while the airline catering was at 20% (including the in flight catering), during the same period. Companies active in industrial catering are better developed and better synchronized, particularly after the experience gained during the Olympic Games. The industrial sector as a whole, shows growth at a higher speed compared to other catering activities in the country. This is due to the fact that demand for catering service contracts is significantly expanding among the private sector and the public sector organizations. The banquet catering sector also shows an annual growth rate of 2 to 3 percent. Developments in the airline catering sector are stagnant and did not reach high expectations after the Olympic games, despite the increases in tourist arrivals. It is thought that many airlines have cut catering services in an effort to trim costs.

SECTION III. COMPETITION

Greece

U.S. products face competition mainly from EU suppliers and domestically produced products in Greece. Today, the EU-27 share of the total food products supply to Greece exceeds 84 percent of total imports. Netherlands, France, Germany and Italy are the leading countries in the Greek food trade. The agricultural trade balance for Greece is negative, reported at U.S. \$ 3.3 billion in 2006 compared to U.S. \$3.5 billion five years earlier, in 2001. The U.S. is listed 8th among the food suppliers to Greece with a spectrum of specialty foods, mainly consumer – oriented items. U.S. food imports totaled \$91.0 million in 2006, excluding raw cotton, tobacco unmanufactured, hides and skins, agricultural inputs and animal feeds. U.S. tree nuts are the leading U.S. import, with a total value at \$55 million (\$69.5 million in CY 2005), followed by alcoholic beverages (excluding wine) at \$9.0 million. In 2003, imports of U.S. origin consumer-oriented products grew sharply to \$60.3 million (approx €55.7 million) compared to \$39.6 million (approx €36 million) in 2002 and remain at higher levels today. U.S. imports within the consumer-oriented category include products such as snack foods, breakfast foods, meats, dairy products, fruits, vegetables, tree nuts, beverages, pet foods and cut flowers.

Greece provides good opportunities for U.S. firms with European subsidiaries, which enable them to compete on a more equal footing with EU suppliers.

The Balkan Region

The Balkans wider region includes the area formerly known as the Yugoslav Federation, with a population of nearly 25 million people. These countries, Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, and Serbia and Montenegro, are currently seeking admittance to the European Union (EU). Regardless of their success or failure in this endeavor, this shows that each, together with Bulgaria & Romania which are already full members of the EU, are in a state of rapid advancement, economic growth and improvement, and are working to improve the accessibility of their market to other countries. As they become full members of the EU and continue their growth and advancement, each individually, and as part of the entire region, will become a much more attractive market. Moreover, Greece appears to be an excellent entry point for many producers due to its higher trade volumes, developed infrastructure (highways, port facilities and airports) and its strategic location.

The countries in the Balkan region are still heavily dependant on each other economically, with trade between these countries remaining quite heavy. This means that once a U.S. exporter establishes successful entry into one of these countries, that exporter will likely find the other countries much more accessible.

SECTION IV. BEST PRODUCT PROSPECTS

A. PRODUCTS PRESENT IN THE MARKET WHICH HAVE GOOD SALES POTENTIAL

Frozen foods: According to FAFPAS (Federation of the Frozen Products' Producers Associations), the frozen foods with the greatest potential include vegetables, potato products and fish/seafood, particularly with Greece's large bakery industry. In fact, ready meals are doing better in Greece than in any other western EU member states. The Greek frozen food market seems to be a more evolved frozen food market than in many other EU countries. The Greek frozen food market is one of the fastest growing markets in Greece, particularly as convenience and frozen foods are increasingly sought by urban Greek consumers. Sales of frozen vegetables in 2006 came to approx \$68 million, with supermarkets serving as the major selling point. The annual increase in frozen dough sales is approximately 8%, nearly reaching \$80 million in 2007. Greeks consume about 43,000 tons of frozen vegetables per annum, followed by about 42,000 tons of frozen potato products and 33,000 tons of fish. Ready meal consumption (frozen) is estimated at 45,000 tons/annum, pastries at 17,000 tons, Mollusks/Shellfish 18,000 tons, and frozen meat at 5,000 tons and other miscellaneous at 6,000 tons, totaling 210,000 tons of frozen food (including about 5,000 tons of frozen poultry). Per capita consumption is at 19.81 kg compared to 35.00 kg of Germany and 13.0 kg of Italy.

Frozen and Salted Fish: Fish consumption in Greece has been increasing since 1995, in line with public awareness that seafood is healthy and together with other white meats can substitute for red meat consumption. Greek fish and seafood product imports accounted for \$350 million in 2006. Per capita seafood consumption is 24 kilograms. Consumption of frozen fish and seafood products reached 65,000 MT in 2005, of which 33,000 MT consisted of processed seafood products. U.S. exporters supply Alaska Pollack, Pacific Salmon, squid, shellfish and dogfish (in dried, salted or in brine and frozen fillets) valued at about \$5.0 million in 2006 with a growing demand.

Tree Nuts: Greeks are among the largest per capita tree nut consumers in the world. Tree nut consumption trends in Greece are gradually increasing in the food and confectionery industry. Demand in the snack food sector remains stable, with a likely future increases following the problematic domestic crop production over the past few years. Good quality

tree nuts are mostly used as snack food (almonds, walnuts, hazelnuts, peanuts, mixed nuts). Consumption figures include snack, confectionary, ice cream and bakery uses. One of the more popular tree nut products among Greek consumers is almonds. Greek almond imports reached 9,500 MT in CY 2006, compared to 9,700 MT in CY 2005 and 8,650 MT in CY 2004. Most imports are from the U.S. During CY 2006, imports from the U.S. totaled more than 7,350 MT (compared to over 7,500 MT a year earlier). Greece's largest volume of U.S. almond imports was reached in CY 2004, totaling almost 7,600 MT. Greek imports from Spain have reached peaks of 1,500 MT. Moreover, U.S. almond imports into Greece may actually be larger than reported because many U.S. origin almonds enter Greece via Germany, The Netherlands, UK and other EU member states. For CY 2006, these U.S. origin amounts, entering Greece through Europe, are estimated to be somewhere between 300-400 MT. Trade sources expect tree nut imports from the U.S. to continue to grow in the coming years due to a variety of reasons, including abundance of U.S. stocks, value from the fall in the U.S. dollar against the Euro, and the enforcement of EU aflatoxin requirements which make purchases from other third countries more prohibitive than from the U.S. Annual consumption of almonds in Greece is roughly 19-21,000 MT and is steadily increasing from year to year. Almond consumption represents 35% of total nut consumption.

Pulses: Especially beans and lentils have good potential in the Greek market. Declining domestic production, plus demand spurred by the reputation of pulses as healthy food, favor imports. Greece produces approximately 45,000 tons of all kinds of pulses, which meets only about 60 percent of their demand.

B. PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL

Meat: The sector has a very important role in the Greek market, since meat constitutes one of the most basic foodstuffs for Greeks, with around 88.4 kg per capita average meat consumption. Almost 90% of beef consumed in Greece is imported.

Wine - Beer - Juices and Soft Drinks: Greece is a \$ 500 million wine market with wine consumption trending upward. Per capita consumption reaches 26 liters. There are more than 130 imported beer brands, which cover 6% of the market. Beer sales in 2006 amounted to approx \$150 million.

Soft drinks: This market also has been characterized by continual growth over the past decade. CY 2006 sales of juices amounted \$180 million, with long life juices dominating the sector.

Organic foods: Organic foods made their appearance 4-5 years ago and the trend is continuing with over 4% of Greek farmland devoted to organic crops in 2007. Organic agriculture has rapidly expanded since its official establishment, with annual growth rates of between 50 percent and 120 percent; slowing down to 20-30% since 2000. The European food crises of recent years have made consumers turn to organics as they look for "safer" foods, since they perceive that risk lies in commercial, mass production. Because it is perceived to be "healthy", demand for organic food products spreads to show strong growth.

Dairy Products: Dairy products constitute one of the most important categories of foodstuffs in domestic consumption. Their share of total food consumption exceeds 19% and is increasing annually. Cheese products also hold a noteworthy position in Greek supermarkets, accounting for about 13% of sales. Greeks rank among the biggest cheese consumers in the world. Ice cream, although seasonally consumed, is at an average per capita consumption of 5 liters.

C. PRODUCTS NOT PRESENT BECAUSE THEY FACE SIGNIFICANT BARRIERS

Turkey and Other Poultry products: EU member states still do not import poultry products of U.S. origin due to lack of agreement on the slaughtering practice equivalency issue.

Beef meat & Products: Although recent figures have shown an increase in U.S. beef exports into the European Union, the industry has already lost millions of dollars worth of potential trade due to the United States and the European Union (EU) dispute on the safety of growth promotants used in cattle. U.S. beef imports must meet hormone-free requirements.

Processed food products containing biotech ingredients: soya & corn products

Low volume high value food ingredients: for the food processing industry (particularly cereal extracts, corn flour, corn syrups, etc, originating in GMO crops)

Corn oil: for the domestic vegetable fat and margarine industry for the same reason as above.

U.S. milling wheat: due to restrictions on Karnal Bunt disease

SECTION V. POST CONTACT AND FURTHER INFORMATION

For additional information and lists of private sector contacts, available from our office to exporters of U.S. food products, please contact the Foreign Agricultural Service Office in Athens at the following address:

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American Embassy
91, Q. Sofia Avenue
GR-101 60 Athens
Tel. ++30-210-720-2233
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Email: AgAthens@usda.gov or fasgr@ath.forthnet.gr
FAS home page: <http://www.fas.usda.gov>

U.S. Embassy Athens home page: <http://www.usembassy.gr>

GREEK GOVERNMENT AGENCIES

Agency responsible for Greek labeling/product ingredient regulations:

General State Chemical Laboratory

Directorate of Foods
Ms. Dionysia Stefanitsi , Director
16, A. Tsoha Str, GR-115 21 Athens
Tel.: ++30-210-6479-251
Fax: ++30-210-6467-725
Email: gxk-foodiv@ath.forthnet.gr

Agency responsible for controlling food quality:

Food Control Agency (EFET)

Mr. John Vlemmas, President
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Fax: 210 3310640
Working hours: Monday - Friday: 09.00 - 19.00,
Saturday, Sunday, holidays : 10.00 - 18.00
E-mail: info@gnto.gr
E-mail: info_central@gnto.gr (Head Office)

Information Desk at "Eletherios Venizelos" airport (arrivals hall)

Tel. 210 3530445-8
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